# TPDS 2

Wednesday, August 21, 2013  7:40 PM

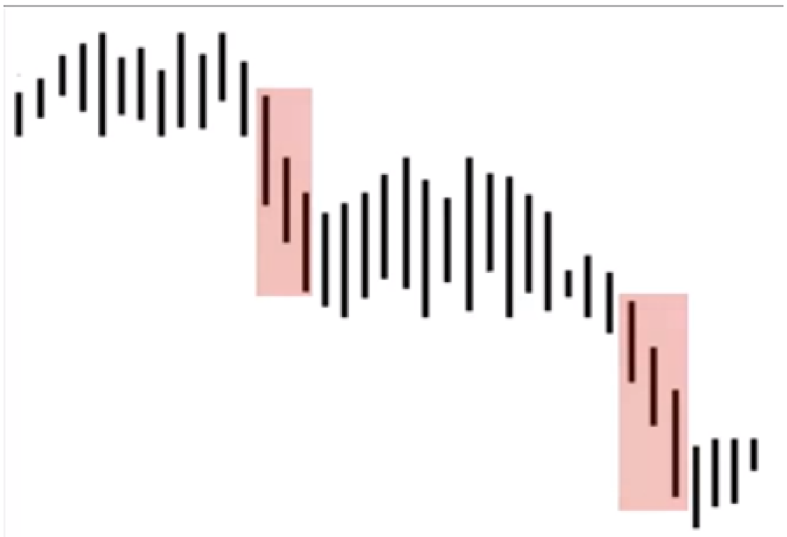
- Market profiling is a concept that classifies what type of trading environment the current market is trading within.
- This swings the odds of success in your favor when you apply the proper technical analysis to the present profile.

**MARKET PROFILES**

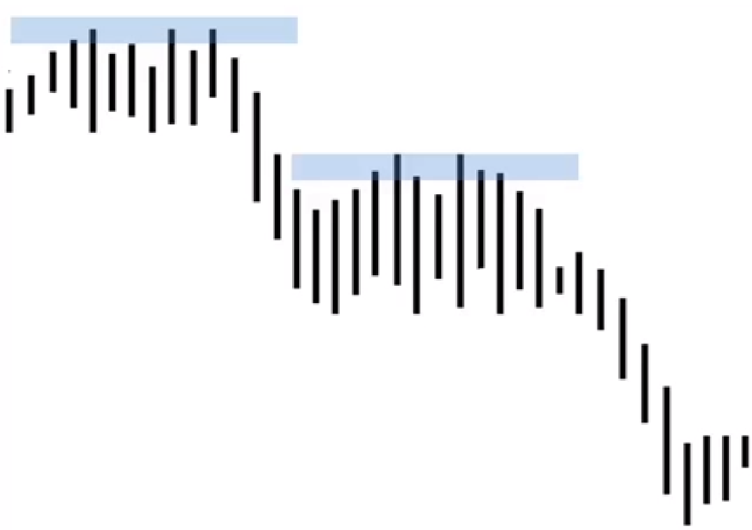
1. Consolidation Range Profile
2. Breakout - Valid & False Profile
3. Trending Profile
4. Reversal Profile

**Consolidation Range Profile:**

- Price moves from range to expansion and then expansion to range again in a cyclical pattern.
- You want to find a directional bias during the consolidation.
- The novice or "street money" gets excited once price has already started moving down like in the illustration below:

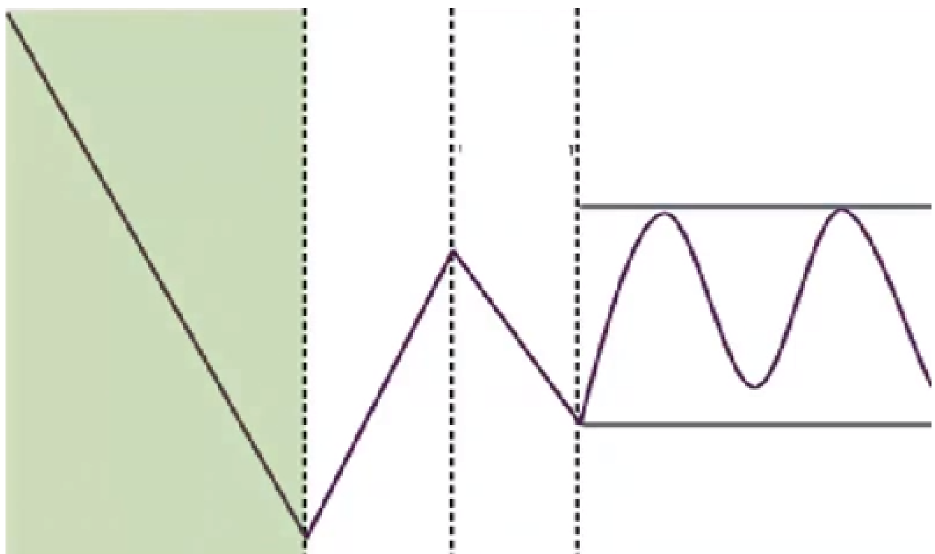


- It doesn't mean you can't make money, it just means you need to be aware that you are in a move that has already been moving for a period of time.
- In a bearish market environment we would be wanting to look for shorts in the upper areas of the consolidation like illustrated below:

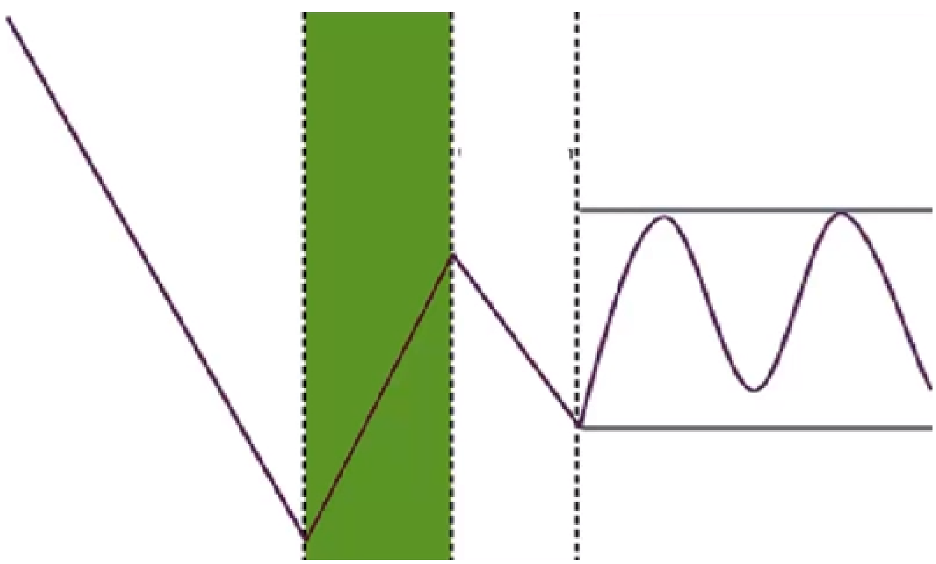


- We could look for OTE shorts or turtle soup entries.
- The breakout will usually go in the direction that the market was going leading up to the consolidation. Of course that is barring any kind of reversal pattern or profile.
- During the consolidation you want to focus on getting positioned with the next swing before it happens. You don't want to be chasing price.
- If we are expecting price to go lower like in the example above, we would be looking to sell into some kind of rally.
- Range expansion means that we went from an average/small range to a much larger range.
- We really want to pay attention during the quiet times because this is when the consolidation is accumulating the next move.
- Whenever you find prices running, just sit on your hands and don't chase it.
- If you weren't in position before the move ensues, you wait for the next one!

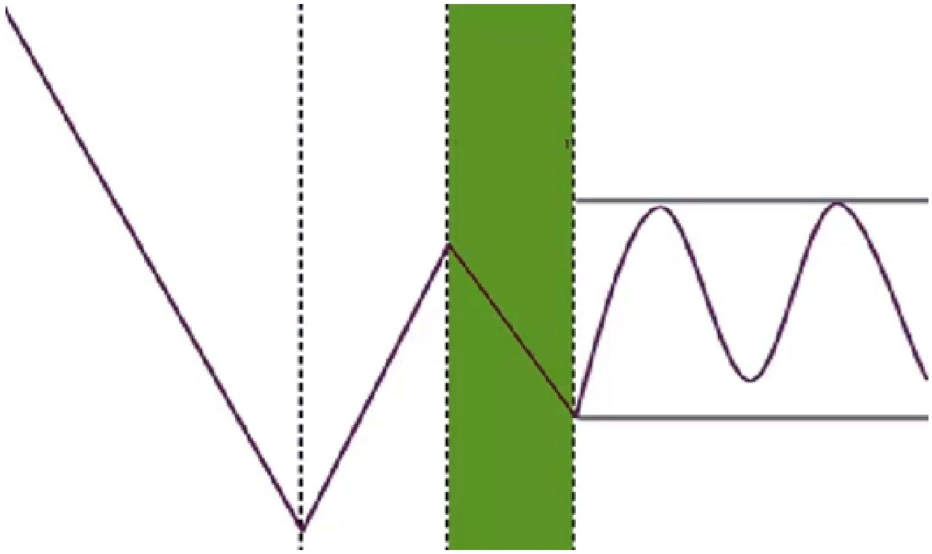
**How do you profile the market?**
- Highlighted in green below is a down trending market until it reaches a low and then you have a reversal.



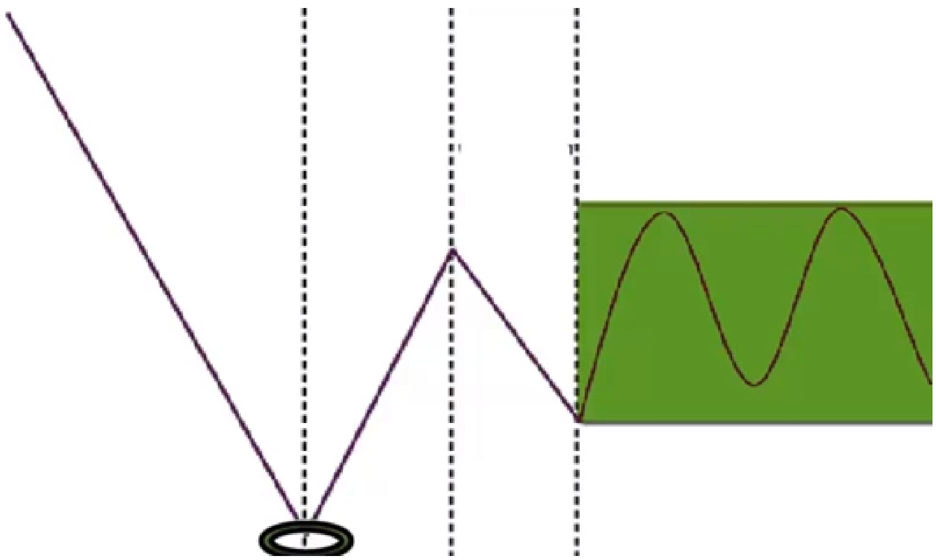
- Highlighted in green below is the reversal that we mentioned above.



- Below is a retracement of some kind. It can be in the form of a new consolidation or range or it could be an intermediate term reversal pattern. We don't know that until price gives us its clues. Based on higher time frame support & resistance levels we would have a reasonable expectation to see these swings unfold.



- When price goes into retracement and then starts consolidating, we can see clearly that we've made a probable intermediate or long term low. Price has snapped back and consolidated. This could be positioning a longer term trend move higher. We would look for swing trades or long term buys and would only look for scalps or real short term trades at the top of the range. It would just be a smaller retracement within a higher time frame move (all below).



- The ranging portion could be a prolonged period of time, even weeks. You just need to be mindful of this and keep your trades limited to targets within the range and not chasing price out into new territory.
- When taking OTE longs in this area we need to be taking 70% off at the top of the range because we don't know if it is going to stay within that range or not.
- It makes sense when the market is trending that we as traders use trend oriented analysis. When the market is in a reversal profile this same trend oriented analysis would likely present lower odds. Keep the focus on the current environment and get your trading in sync and you will find trading far more easy than trying to force your treasured techniques into an impossibility.